



STATE OF ARIZONA
DIVISION OF EMERGENCY
MANAGEMENT



RECOVERY SECTION

STANDARD OPERATING PROCEDURES

PUBLIC ASSISTANCE PROGRAM

SECTION 14

PROJECT COST OVERRUN

Rev 5/08



**STATE OF ARIZONA
DIVISION OF EMERGENCY MANAGEMENT
PUBLIC ASSISTANCE PROGRAM
STANDARD OPERATING PROCEDURES**



PROJECT COST OVERRUNS

I. OVERVIEW

Documented eligible costs for all projects are reimbursed, providing the applicant completes the project in accordance with the approved scope of work. An estimated cost for each project is calculated by the Public Assistance Coordinator (PAC) and the Applicant. Our "rule of thumb" we ask applicants to use is if they are experiencing a project cost overrun (10% or more) they need to provide notification to the PAC as soon as possible. This information should be reported to the Public Assistance Program Manager and recorded in the Case Management Log for the applicant.

There is variation between State and Federal declarations as to how project cost overruns are handled. Sections II & III describe how project cost overruns are handled for federal declarations for both small and large projects.

II. SMALL PROJECTS

Cost overruns on small projects are **not** handled on a project-by-project basis. The applicant may request supplemental funding for a net cost overrun on all small projects by submitting an appeal to through the State as defined by FEMA in Title 44 of the Code of Federal Regulations (CFR), Section 206.206 (44CFR§206.206). An appeal should be submitted only when the total costs for all small projects exceed the total estimated cost approved for all small projects. The appeal must be submitted within 60 days of the completion of the applicant's last small project. The appeal must include estimated costs and actual costs for each small project, demonstrating the overall cost overrun for all small projects. A brief explanation of cost differences should be included. A project worksheet is prepared for the appeal (and final audit).

III. LARGE PROJECTS

In most instances, cost estimates are approved by FEMA prior to completion of the associated work. Often actual costs incurred by the applicant during performance of the work will either be less than originally estimated or will exceed the approved estimate.

Again, timely notification by the applicant to the PAC that project costs are exceeding the original estimate (by 10% or more) is strongly encouraged. If additional eligible costs are within the approved scope of work, the applicant can request additional funding. The PAC will assist the applicant in order to ensure that proper guidelines for documenting requests for additional costs are followed. The State will forward a request for additional funding to FEMA. Such requests must contain documentation to support that the additional costs incurred during the performance of eligible work and this request must be filed through the State as soon as the need becomes apparent.